

FROM : A J H Cowell

DATE : 29 February 1988

NBP OF 4

Mr Blackley

PS

MP'S LETTER : MACHINE TOOLS FOR IRAQ

1. Ken Eastham MP wrote to the Secretary of State on 18 February enclosing a letter from D K Todd, District Secretary of the AUE, concerning the export of machine tools to Iraq. I submit a draft reply.
2. The AEU's concern seems to have been prompted by an article in the Daily Telegraph which gave the misleading impression that a complete embargo on this equipment has been approved.
3. In fact, in the second half of 1987, the IDC agreed a series of licence applications for the export of machine tools to Iraq worth over £44 million. The IDC was satisfied that the lathes and tools were civilian items for general industrial purposes, as the companies had claimed. Since the licences were approved we have received information from secret sources that the two Iraqi consignees, Rutteen General Establishment for Mechanical Industries and Nassir General Establishment for Mechanical Industries, intend to use the equipment to set up a munitions manufacturing facility. We have also received a letter from an employee of Matrix Churchill of Coventry, an affiliate of the T-I Matrix, Brechin referred to in Mr Todd's letter, confirming that machine tools for manufacturing shell cases are being supplied to Iraq.

4. It was decided last month, given the companies contractual position, and the industrial consequences should the licences be revoked, that existing licences should be allowed to stand. Further licences should, however, only be granted after careful scrutiny and once we are satisfied that their export would not contravene the guidelines.

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